

**COUNCIL ON DEVELOPMENT FINANCE**

**April 25, 2016**

**PUBLIC HEARING 422**

**THOSE PRESENT:**

Mr. Andrew Lubin, Chairperson  
Honorable Nancy Cook  
Mr. Richard Rowland  
Sen. Nicole Poore  
Mr. Tarik Haskins  
Mr. Fred Sears  
Director Bernice Whaley  
Mr. Lawrence Lewis, DAG  
Mr. Tim McLaughlin

Mrs. Rachael Mears  
Mr. James Pennewell  
Ms. Kimberly Cruz  
Mrs. Jodie Green  
Mrs. Christina Dirksen  
Mr. Ken Anderson  
Mrs. Barb DeHaven  
Mr. Dave Archer  
Ms. Emily Baird

**ALSO PRESENT:** **Newark Charter School, Inc.** – Mr. Steve Dressel, Ms. Joanne Schlosberg, Mr. Gregory Meece, and Ms. Silvia Shin; **Delaware Manufacturing Extension Partnership** – Mr. Rustyn Stoope and Mr. Jim Jones; **Applied Control Engineering, Inc.** – Mr. Tim Cole and Mr. Michael Lennon; **AnCatt, Inc.** – Mr. Jianguo Wang and Ms. Sue Wang; **Cimentum, LLC** – Dr. Ghulam Haider; Mr. Ralph Page, Creative Micro Designs; Ms. Erin Innes, Office of Management and Budget; Ms. Emilie Ninan, Ballard Spahr LLP; Mr. Scott Goss, The News Journal

**LOCATION:** Buena Vista Conference Center

**TIME:** 9:00 A.M.

**CALL TO ORDER:**

The meeting was called to order at 9:00 A.M. by Chairperson Lubin, on Monday, April 25, 2016.

**OLD BUSINESS:**

Mr. Lubin made a motion that the minutes of the March 28, 2016, Council on Development Finance meeting be approved as presented. Mr. Sears approved the motion; Mr. Rowland seconded the motion, which was then adopted by unanimous vote.

**NEW BUSINESS:**

**Newark Charter School, Inc. (“Newark Charter” or the “Applicant”)** – The Applicant is requesting that the Delaware Economic Development Authority (DEDA) act as a conduit issuer of tax-exempt bonds not to exceed \$15,000,000. The Applicant proposes to use the funds for one or more of the following purposes: (i) refunding of certain indebtedness of the Applicant’s New Castle County Bonds; (ii) funding a debt service reserve fund deposit; and (iii) financing various costs incidental to the financing, including costs of issuance (collectively, the “Project”). The project is currently owned by the Applicant and operated as a charter school in Newark, Delaware. No funds will be provided by the State of Delaware towards the project.

Mr. Archer presented this request to the Council. He introduced Newark Charter School director, Mr. Meece, Business Manager, Ms. Schlosberg, Chairman, Mr. Dressel, and Ms. Shin, borrower finance and bond counsel to the Applicant. He stated that Newark Charter began operating in the 2001-2002 school year, currently serves 2,140 students in grades Kindergarten through 11<sup>th</sup>, and is in the process of growing to its charter-authorized enrollment of 2,470 students. He stated that once that expansion is complete, the school will serve Kindergarten through 12<sup>th</sup> grades. He stated that the mission of Newark Charter is to provide a rigorous academic curriculum that promotes high levels of student effort and achievement while fostering self-esteem, and that it achieves this mission through stimulating academic challenges and meaningful academic accomplishment in a community of educators, families, and students who value scholarship, good citizenship, and creativity. He stated that Newark Charter is recognized as a school of excellence at state and national levels, having been named the National Blue Ribbon School of Academic Excellence, Delaware's Top Workplace, Delaware Recognition School, maintains a consistent Superior School rating, and is one of the Top Ten Core Knowledge Schools in the country. Mr. Archer added that in 2014-2015, Newark Charter students ranked first among all Delaware public schools in English Language Arts and Math on the Smarter Balanced Assessment, and that also in that year, 75.66% of the school's 10<sup>th</sup> grade student met the college readiness standard on the PSATs, compared to the state average of 27.73%. He stated that advanced placement scores for Newark Charter's 9<sup>th</sup> and 10<sup>th</sup> grade students exceeded both state and national averages, and that the school's graduation requirements exceed those of the state to ensure preparation of post-secondary education. He stated that Newark Charter was established by parents and teachers committed to providing an educational alternative within the public school system, adding that the Applicant provides its families with a strong academic program, high levels of parent involvement, meaningful site-based management, and an emphasis on student decorum. Mr. Archer stated that by refunding all outstanding 2006 bonds, Newark Charter can continue to focus on its mission to provide outstanding education to its students.

Mr. Pennewell stated that during financial analysis, he reviewed audited financial statements for 2013-2015, and the financial update for the period ending December 31, 2015. He stated that Newark Charter has demonstrated a strong position of liquidity, as shown by its current ratio average of 3.66 during the review period. He stated that working capital measured between \$9-10 million during the review period, and that the largest current asset is cash on hand. Mr. Pennewell stated that Newark Charter receives its revenue from two different sources: general revenues, which consist of funds received from the government and investments, and program revenues, which primarily consist of funds received from grants and contributions. He stated that of the total revenues, the general revenues are the largest source of funding for Newark Charter, which comprises approximately 92% of its revenue, and that overall total revenues have increased year-to-year as enrollment continues to increase. He stated that the Applicant has been able to satisfy its debt obligations, with an average debt-service coverage ratio of 2.10. He added that, overall, Newark Charter is a healthy and sustainable entity.

Ms. Shin stated that in 2012, the Delaware Economic Development Authority issued conduit bonds for the benefit of Newark Charter School, and that the requested bonds will be issued under the same indenture. She stated that both the 2012 and 2016 bonds will share the same security pledge, as well as share a mortgage on both facilities. She stated that it is looking for the bond to be a 30-year issuance, extending to 2046, with refunding for savings purposes that, with current market conditions, are less than 4%.

Mr. Sears asked what the current rate is. Ms. Shin stated that it is 5%.

Mr. Lubin asked for confirmation that there would be no impact on state bonds. Ms. Shin stated that is correct.

Mr. Lubin asked if there were any questions from the Council regarding Newark Charter School, Inc.

Mr. Sears comments that he appreciates all that the Applicant does for its students. Mr. Sears asked how enrollment is determined for the school, if it is a lottery. Mr. Meece stated that there is a lottery for all grades, with all applicants accepted during the state-sponsored application period. He stated that Newark Charter follows state guidelines that include founders and siblings, and that the lottery is open to the public. Ms. Schlosberg stated that the state-supported systemic lottery is utilized. Mr. Meece stated that the Kindergarten lottery is opened first, and that the following grades are opened using the systemic lottery, which is done because there are few openings at the school and the majority of the applications are a waiting list.

Mr. Sears asked if there is an academic test in order to gain acceptance. Mr. Meece stated that there is no test, that the school accepts all students that encompass a range of learning capabilities, and that no preference is given as the potential student is only known by an application.

Mr. Sears asked what the diversity numbers within the student population are. Mr. Meece stated that those numbers are in line with the community. Mr. Dressel stated that the specifics are approximately 65% Caucasian, 12% Asian, 13-14% African-American, and 10% Hispanic, which are reflective of the general population figures of New Castle County.

Mr. Archer stated that DEDO staff favorably recommends approval of the application.

Sen. Poore asked for clarification regarding associated job creation. Mr. Meece stated that the school will be adding positions over the next year, as it has done over the last several years, with an increase from 220 to 235-240 employees. Sen. Poore asked if the added jobs are due to the increase in population. Mr. Meece stated that is correct.

Chairperson Lubin asked if there were any public comments; there were none.

**Motion Made By: Mr. Rowland**  
**Seconded By: Mr. Sears**

**MOTION:** After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$20,000, which funds, including the grant proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested grant funds; (iv) the grant will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any

agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, the Council shall recommend to Mrs. Bernice Whaley, Chairperson, The Delaware Economic Development Authority, approval of the request that the Delaware Economic Development Authority (DEDA) act as a conduit issuer of tax-exempt bonds not to exceed Fifteen Million Dollars (\$15,000,000), contingent upon the approval remaining in effect through and including April 24, 2017.

**Approved By Vote of 6 to 0.**

Senator Poore exited the meeting due to prior commitments.

**Delaware Manufacturing Extension Partnership ("DEMEEP" or the "Applicant")** – The Applicant is requesting a Delaware Strategic Fund grant in an amount not to exceed \$330,099, which represents the State of Delaware's historical match of \$302,400 and an additional \$27,699 to support its operations. The Applicant proposes to use the funds to continue to provide its services to Delaware manufacturers, small business owners, and other state agencies.

Mr. Anderson presented this request to the Council. He stated that DEMEEP has met or exceeded the majority of the metrics established in the previous year, including the requirement that one Delaware-based entity develop and implement the export-tech program, which of note nine entities have successfully completed the program. He stated that the Department of Commerce (NIST) has required all Manufacturing Extension Partnerships (MEP) nationally to participate in a recompetes, of which three rounds have concluded and the fourth is about to begin, and which DEMEEP is expected to be successful. He added that an award decision regarding this fourth round is expected to be made later this year, with funding provided in January 2017. Mr. Anderson then introduced DEMEEP's executive director, Rustyn Stoope.

Mr. Stoope stated that DEMEEP was founded in 1993 by Delaware manufacturers and the Delaware Economic Development Office in support of over 150 firms to expand, transform, and continue to exist within the state. He stated that DEMEEP functions as a voice for and to manufacturing by working with the manufacturing community, Delaware Technical & Community College, and the Governor's Office. He added that DEMEEP continues to support the program by connecting with manufacturing students and the community by helping construct program content. Mr. Stoope stated that over the past 15 years alone the State's investment into the partnership has realized nearly 101 impacted businesses through sales and savings, and over 4,500 jobs in Delaware. He stated that, while the program is intended to support small unit manufacturers, the impact is also seen Delaware businesses outside of the industry, such as legal firms, financial institutions, and service companies. He stated that DEMEEP also has a history of supporting state agencies like the Delaware Department of Natural Resources and Environmental Control, the Delaware Department of Motor Vehicles, the Delaware Department of Technology & Information, and state libraries. Mr. Stoope stated that DEMEEP is in line to continue to support Delaware companies with new ways to stimulate success, an example of which is the delivery of the export-tech program, which is a fast-track for developing strategies for sales, and includes resource partners such as the Export Assistance Center Delaware, World Trade Center Delaware, and the Small Business Administration in order to provide personalized coaching for a strategic export plan, helping companies find the best markets to enter. He stated that 18 Delaware companies have graduated from this program over the previous 18 months, with some initial feedback reporting that graduates have seen a 25% increase in export sales. He added that

DEMEEP has more programs being developed in its pipeline, and that continued support from the State will continue to bring success to Delaware manufacturers, and he respectfully requested approval of its application in order to continue to achieve DEMEEP's mission to allow Delaware manufacturers to innovate, create more jobs, increase their profitability, and successfully contribute to Delaware's economy. He then introduced owner of Creative Micro Designs and member of DEMEEP, Mr. Page.

Mr. Page stated that his company began working with DEMEEP approximately five years ago, at which time he was losing much of his business to China. He stated that he realized he needed assistance improving standardization and manufacturing, and that DEMEEP was able to provide that guidance. He stated that the export-tech program has been particularly helpful with allowing him to concentrate on suitable markets for his product.

Ms. Cruz stated that during financial analysis, she reviewed the financial statements for 2013-2015, and a budget projection for 2016. She stated that DEMEEP has two primary sources of revenue: project income, which consists of program/seminar fees and contract income, and government grants. She stated that chief expenses consist of personnel, projects and communications costs, and that DEMEEP's liquidity and financial position remained healthy overall between 2013-2015, adding that expenses during this time remained relatively flat. Ms. Cruz stated that the current ratio in 2015 was 4.39, which was healthy, working capital for the same time period was \$1.3 million, and total revenues \$1.2 million. She stated that the projections for 2016 include a net loss of \$250,000 as the result of increased personnel and general and administrative expenses. She added that in order to sustain operations, DEMEEP has to continue to devise strategies to optimize revenue while continuing to contain costs.

Mr. Lubin asked if there were any questions from the Council regarding DEMEEP.

Mr. Rowland asked if the 2015 audit is in progress. Mr. Stoores stated that the audit has concluded, but it was not completed in time to include in the application. Mr. Rowland asked if the interim financials have been reviewed, as there is a large increase in revenue reported. Ms. Cruz stated that only the 2016 budget had been reviewed. Mr. Rowland asked how the interim financials were being tracked. Mr. Stoores stated that the winter season is fairly soft, with spring taking off strong, and that a busy summer is expected. Mr. Rowland asked if some of the investments that were referenced on the internally prepared sheet could be made available. Mr. Stoores stated that he believes that figure was cash reserves for salary activity. Mr. Rowland clarified that the cash is stated as a separate amount. Mr. Stoores stated that those figures are money market accounts. Mr. Sears requested that the most recent audit and 2016 year-to-date financials be submitted to the Council. Ms. Cruz stated that she would do that.

Mr. Lubin asked that, in regard to the budget deficit for 2015 in relation to the reduction of the federal grant, is the result still something that DEMEEP is attempting to achieve. Mr. Stoores stated that it has been attempting to grow the business on a cost matching basis, so that until the expense is incurred it is unable to get the match. He stated that DEMEEP must generate additional revenue in order to match or it was a loss, and that it is a growth issue. Mr. Lubin stated that is the relationship that DEDO anticipates, and asked that, in terms of bearing the grant, is that also a match. Mr. Stoores stated that the income grant is not a match, it is the full amount for the year. Mr. Lubin asked that there is no contextual aspect to the grant, that it is not related to achievement. Mr. Stoores stated that is correct.

Ms. Cruz stated that DEDO staff favorably recommends approval of the application.

Mr. Lubin stated that the recommendation for approval of the application is contingent to the request that the most recent audit and 2016 actual financials be submitted to the Council.

Chairperson Lubin asked if there were any public comments; there were none.

**Motion Made By: Mr. Rowland**  
**Seconded By: Mr. Sears**

**MOTION:** After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$20,000, which funds, including the grant proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested grant funds; (iv) the grant will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, the Council shall recommend to Mrs. Bernice Whaley, Chairperson, The Delaware Economic Development Authority, approval of a Delaware Strategic Fund grant in an amount not to exceed Three Hundred Thirty Thousand Ninety Nine Dollars (\$330,099), to be disbursed from the Delaware Strategic Fund for the Project, contingent upon the approval remaining in effect through and including April 24, 2017.

**Approved By Vote of 5 to 0.**

**Applied Control Engineering, Inc. ("ACE" or the "Applicant")** – The Applicant is requesting a Delaware Strategic Fund Performance grant in an amount not to exceed \$188,662, and a Delaware Strategic Fund Capital Expenditures grant in an amount up to \$18,000, or a 3% match of qualified capital expenditures up to \$600,000, for a total not to exceed \$206,662. The Applicant proposes to use the funds for the creation of 25 new full-time permanent Delaware positions, and the outfitting of its current facility including the purchase of new equipment.

Mr. Archer presented this request to the Council. He introduced the president of ACE, Mr. Cole, and the operations manager, Mr. Lennon. He stated that ACE was formed in 1991, specializing in process control and systems integration, and has since grown to more than 100 engineers and support personnel with offices in Delaware, Connecticut, Maryland, Massachusetts, Pennsylvania, and Texas. He stated that the corporate headquarters are located in Newark, Delaware, where 50 individuals are employed. He stated that the engineers are skilled or trained in automation engineering, focusing on design, programming, simulating and testing automated machinery, and processes. He added that the automation engineers specialize in industries such as manufacturing, processing, and robotics, and that company growth has been fueled by acquisitions of other process control engineering firms, satisfied clients who reward ACE with

multiple projects, and a strong reputation in the automation industry. Mr. Archer stated that ACE has been listed several times among Inc. magazine's list of fastest growing privately held companies. He stated that the Applicant is committed to creating 25 new full-time Delaware positions over the next three years, including engineering positions with a minimum salary of \$63,000. He stated that ACE has been planning for additional growth, but was unsure about where in its footprint the growth should take place. He added that, however, with the recent DuPont announcements and ACE's already strong relationship with the University of Delaware, it was realized that this opportunity was ideal to add to its already experience staff at the current headquarters. Mr. Archer stated that, after a thorough search including Pennsylvania, the Applicant realized that the current headquarters was the place to grow, but that the facilities required a major fit out in order to accommodate the additional 25 employees, including expanded systems staging, onsite CAD department expansion, office build outs, and maintenance. He added that, overall, these expenditures are estimated to cost approximately \$600,000.

Ms. Cruz stated that during financial analysis, she reviewed the financial statements for 2013-2015, and 2016 year-to-date financial statements. She stated that the primary revenue is sourced from process automation and other engineering services, key expenses being personnel, general and administrative in nature. She stated that the profitability and financial position was stable during the review period, showing a net decline in income in 2015 due to an increase in expenses, with a healthy ratio and positive working capital. She added that revenue for 2015 was \$17 million, and with a strong debt service coverage ratio. Ms. Cruz stated that working capital is stable, as reflected in the YTD Income Statements, and ACE is on pace to meet if not outperform 2015 numbers.

Mr. Archer stated that DEDO staff favorably recommends approval of the application.

Mr. Cook stated that ACE is a service provider, and that its customers include Fortune 500 companies. He stated that newly hired engineers are trained in process automation engineering, pairing experienced engineers with recent graduates in order to provide the younger team members with the capability to perform and grow. He added that ACE would like to bring on DuPont and Chemours engineers that will be leaving those offices over the next several years. Mr. Cook stated that ACE is in the process of transferring stock from some of the senior members of the company to the younger members in order to ensure that the company well outlives its current members.

Mr. Lubin asked if there were any questions from the Council regarding Applied Control Engineering, Inc.

Mr. Rowland asked for clarification regarding the reviewed financials statements, in regard to the statements being reviewed vs. audited. Mr. Cook stated that the rolling period included two years of audited statements, and three years of reviewed statements.

Mr. Sears asked if ACE has the ability to be competitive with its salaries in relation to former DuPont employees coming onboard. Mr. Cook stated that ACE may not be able to pay the same as DuPont, but offers a competitive environment.

Mr. Sears asked about the fluctuation in revenue, and if there is a particular reason for that fluctuation. Mr. Cook stated that the fluctuation was based on booking, and that the first quarter for 2016 is very strong. He added that the target for this year is 18.5, and that it is currently on target to do 20. Mr. Sears asked if accounts receivable is an issue. Mr. Cook stated that it is not.

Mr. Lubin thanked ACE and its efforts to try and fill the gap for the engineers and other employees affected by the recent events with DuPont.

Mr. Haksins asked what types of positions will be filled with the 25 jobs to be added. Mr. Lennon stated that the majority of the jobs will be engineers, but also experienced full-time staff.

Chairperson Lubin asked if there were any public comments; there were none.

**Motion Made By: Sen. Cook**  
**Seconded By: Mr. Sears**

**MOTION:** After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$20,000, which funds, including the grant proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested grant funds; (iv) the grant will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, the Council shall recommend to Mrs. Bernice Whaley, Chairperson, The Delaware Economic Development Authority, approval of a Delaware Strategic Fund Performance grant in an amount not to exceed One Hundred Eighty Eight Thousand Six Hundred Sixty Two Dollars (\$188,662), and a Delaware Strategic Fund Capital Expenditures grant in an amount not to exceed Eighteen Thousand Dollars (\$18,000), to be disbursed from the Delaware Strategic Fund for the Project, contingent upon the approval remaining in effect through and including April 24, 2017.

**Approved By Vote of 5 to 0.**

**AnCatt, Inc. ("AnCatt" or the "Applicant")** – The Applicant is requesting a Delaware Strategic Fund Delaware Technical Innovation Program (SBIR/STTR) grant in the amount of \$50,000, while it awaits the approval of its recent application for the National Science Foundation (NSF) Phase II funding. The Applicant proposes to use the funds to aid in maintaining operations while awaiting the National Science Foundation Phase II decision.

Mrs. DeHaven presented this request to the Council. She introduced the founder, president, and chief technology officer for AnCatt, Mr. Wang, and the co-founder of AnCatt, Ms. Wang. She stated that AnCatt was started in 2008 in the founder's garage following the founder's retirement from DuPont, and since then has developed the first heavy metal-free, high performance, anti-corrosion, coating platform using its unique conducting polymer nano dispersion (CPND). She stated that, following extensive testing confirming its properties, AnCatt is now ready to scale up

production of the material. She added that AnCatt has received numerous awards from organizations such as the American Chemical Society, the National Innovation Summit, the National Science Foundation, and Launch. Mrs. DeHaven stated that in 2015, the Applicant received an SBIR Phase I grant from the National Science Foundation for \$149,077, geared towards the development of epoxy-based paints utilizing the CPND technology, which significantly extends the life of the coating and reduces the environmental impact through the absence of heavy metals. She stated that the goal during Phase II is to increase production to allow commercial samples and pilot testing, and add four new employees in the next few years.

Mr. Pennewell stated that during financial analysis, he reviewed internal balance sheets and profit & loss statements for 2014, 2015, and through February 29, 2016, and four years of projections, reflecting potential future commercialization. He stated that assets are primarily in cash, and that as of February 2016, AnCatt held approximately \$69,000 in total assets, of which 94% was cash. He stated that liabilities total just over \$15,000 for the same period, and that working capital measured just over \$50,000. He stated that the Applicant has been heavily reliant on government funding for its operations, and has produced a net loss annually. He added that the projections are not tied to a specific year, but for once the company received adequate funding. Mr. Pennewell stated that net losses are projected for years one and two, but showing a net income by year three of approximately \$4.4 million. He stated that AnCatt has not utilized any debt to fund its operations. Mr. Pennewell stated that DEDO staff favorably recommends approval of the application.

Ms. Wang stated current water crises in the nation are reflective of the damage that is caused by high performance corrosion due to metals such as lead, chromate, and zinc, and that the development of the CPND anticorrosion coating can potentially change this issue. She stated that initial test results indicate that there is six times the longevity of the anticorrosion coating vs. standard coatings based with heavy metals, which can deeply impact the multi-billion dollar infrastructure currently utilized for waterworks across the country and the world. She stated that during SBIR Phase I, tests were performed between AnCatt's coating and leading commercial products, and that the intention for Phase II is to scale up production.

Mr. Lubin asked if there were any questions from the Council regarding AnCatt, Inc.

Mr. Sears asked if there is an accountant or attorney working with AnCatt. Ms. Wang stated that there is a patent attorney and an accountant.

Chairperson Lubin asked if there were any public comments; there were none.

**Motion Made By:** Mr. Sears  
**Seconded By:** Mr. Rowland

**MOTION:** After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$20,000, which funds, including the grant proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested grant

funds; (iv) the grant will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, the Council shall recommend to Mrs. Bernice Whaley, Chairperson, The Delaware Economic Development Authority, approval of a Delaware Strategic Fund Delaware Technical Innovation Program (SBIR/STTR) grant in the amount of Fifty Thousand Dollars (\$50,000), to be disbursed from the Delaware Strategic Fund for the Project, contingent upon the approval remaining in effect through and including April 24, 2017.

**Approved By Vote of 5 to 0.**

**Cimentum, LLC (“Cimentum” or the “Applicant”)** – The Applicant is requesting a Delaware Strategic Fund Delaware Technical Innovation Program (SBIR/STTR) grant in the amount of \$50,000, while it awaits the approval of its recent application for the U.S. Department of Energy (DoE) Phase II funding. The Applicant proposes to use the funds to aid in maintaining operations while awaiting the U.S. Department of Energy Phase II decision.

Mrs. DeHaven presented this request to the Council. She introduced the founder and president of Cimentum, Dr. Haider. She stated that Cimentum was formed in 2009 to implement his idea of developing a specialty material for application in civil structures, and the oil and gas drilling markets. She stated that, in response to sealing nuclear waste in deep boreholes using cement-like materials, Dr. Haider pivoted his research on solving that problem. She stated that Cimentum has leased test equipment from Union Process and installed it at Accudyne Systems, Inc., located in Newark, Delaware. She added that the long term goals for the Applicant are to move beyond the deep borehole disposal, and to provide materials in other areas of need, including carbon capture storage, enhanced oil recovery, and oil and gas drilling. Mrs. DeHaven stated that the Phase II proof of concept will pursue a new and innovative approach to obtain cementitious material used for deep borehole applications, continuing to refine its sealant. She stated that during Phase II, the Applicant intends to add to Delaware's tax base with new employees, and utilize a 10-year plan for commercialization, establishing a long-term commitment to the area.

Ms. Cruz stated that during financial analysis, she reviewed 2012-2014 tax returns, 2015 internal financial statements, and projections for 2016-2020. She stated that Cimentum's primary income is composed of government grants, and presently has no structured debt. She stated that profitability and financial position during 2012-2014 reflected net losses, but, by comparison, its financial performance in 2015 showed positive net income and liquidity. She stated that the current ratio during 2015 was positive at 6.67, working capital was \$39,000, and revenue was \$60,000. She added that while the figures are reflective of the transition from development to commercialization, the Applicant has developed partnerships with key industry end users, potentially enabling it to viably penetrate the market and generate net income of \$1.1 million.

Mrs. DeHaven stated that DEDO staff favorably recommends approval of the application.

Mr. Lubin asked if there were any questions from the Council regarding Cimentum.

Mr. Lubin asked, hypothetically, if the product developed by Cimentum had been available at the time could have potentially quickly remedied the situation with BP in the Gulf of Mexico. Dr. Haider stated that he uses that situation as an example of the product, which features a high strength, durable, and fine product compared to competitive materials currently on the market. Mr. Lubin asked if the material is designed to handle that type of pressure. Dr. Haider stated that the physical properties are not the same, but yield better results in higher pressures.

Chairperson Lubin asked if there were any public comments; there were none.

**Motion Made By: Mr. Rowland**  
**Seconded By: Mr. Haskins**

**MOTION:** After duly considering, inter alia, the nature of the business, its competitive situation in Delaware, its location, the employment and other requirements under applicable statutory and regulatory provisions, the Council made the following findings: (i) the Project will contribute to maintaining or providing gainful employment of the citizens of the State, (ii) the Project will serve a public purpose by contributing to the prosperity, health or general welfare of the State; (iii) the Project will require a capital investment of at least \$20,000, which funds, including the grant proceeds, will be available or expended on the date on which The Delaware Economic Development Authority disburses the requested grant funds; (iv) the grant will effectuate the purposes of Chapter 50, Subchapter IV of Title 29 of the *Delaware Code*, and (v) the Applicant is a financially responsible person to the extent required by statute and has not been convicted of a major labor law violation or other illegal conduct involving moral turpitude by any agency or court of the federal government or agency or court of any state in the two-year period immediately prior to the approval of the Applicant's application for assistance, the Council shall recommend to Mrs. Bernice Whaley, Chairperson, The Delaware Economic Development Authority, approval of a Delaware Strategic Fund Delaware Technical Innovation Program (SBIR/STTR) grant in the amount of Fifty Thousand Dollars (\$50,000), to be disbursed from the Delaware Strategic Fund for the Project, contingent upon the approval remaining in effect through and including April 24, 2017.

**Approved By Vote of 5 to 0.**

**ADJOURNMENT**

The meeting adjourned at 10:00 a.m.

Respectfully submitted,

Emily Baird, Portfolio Administrator

*ESB*

cc: Members of the Council on Development Finance  
Director Bernice Whaley

Lawrence Lewis, DAG

The next CDF meeting is scheduled for Monday, May 23, 2016 at 9:00 A.M. at the Buena Vista Conference Center in New Castle, Delaware.